

**PRAIRIE VALLEY  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2005

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**PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**BOARD OF EDUCATION**

(Before September, 2004 Election)

David Hanson	President	2005
Deb Doyen	Vice President	2005
Tom Beacom		2006
Lynette Heatherington		2005
Ron Warrick		2006
Mary Anne Wiley		2004
Dean Gleason		2004

(After September, 2004 Election)

David Hanson	President	2005
Deb Doyen	Vice President	2005
Tom Beacom		2006
Lynette Heatherington		2005
Ron Warrick		2006
Marshall Lambert		2007
Dean Gleason		2007

**SCHOOL OFFICIALS**

David Arnold	Superintendent
Rita Kail	District Secretary/ Treasurer

## Independent Auditor's Report

To The Board of Education of the  
Prairie Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Prairie Valley Community School District, Gowrie, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of Prairie Valley Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated October 19, 2005 on our consideration of Prairie Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 32 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Prairie Valley Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report. The financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**BRUCE D. FRINK**  
**Certified Public Accountant**

October 19, 2005

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT**

Prairie Valley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### **2005 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$6,077,863 in fiscal 2004 to \$6,088,793 in fiscal 2005, while General Fund expenditures decreased from \$6,223,666 in fiscal year 2004 to \$5,989,608 in fiscal 2005. The District's General Fund balance increased from \$633,339 in fiscal 2004 to \$733,924 in fiscal 2005, a 16% increase.
- The reduction in expenses is due to reductions in salary and employee benefits as well as reductions in textbook expenditures.
- State revenues increased from fiscal 2004 to fiscal 2005, however, this was offset by reductions in property taxes in the General Fund.
- The District's solvency ratio was 12% at the end of fiscal 2005. The solvency ratio is indicative of the District's ability to meet its financial obligations. This is an increase of over 2% from the prior year.
- The District began to use its local option sales tax money for a variety of projects as well as property tax relief.
- Resident enrollment decreased by over 50 students.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: management's discussion and analysis (this section), the general purpose financial statements and required supplementary information.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

*Figure A-1*  
*Prairie Valley Community School District*

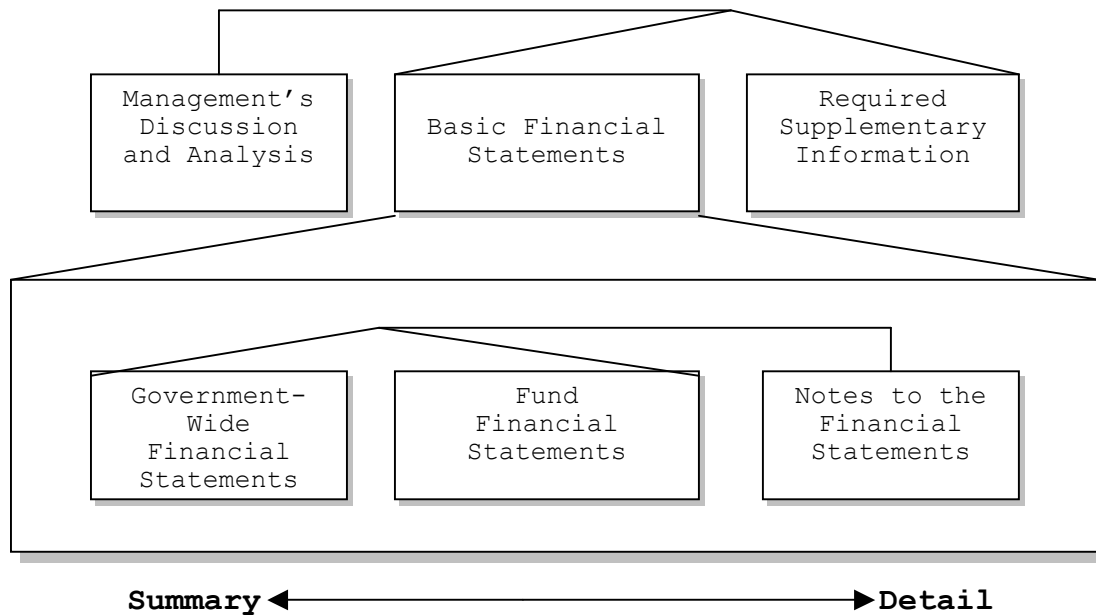


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

**Figure A-2**

**Major Features of the Government-Wide and Fund Financial Statements**

	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	. Statement of net assets . Statement of activities	. Balance sheet . Statement of revenues, expenditures, and changes in fund balances	. Statement of net assets . Statement of revenues, expenses and changes in net assets . Statement of cash flows	. Statement of fiduciary net assets . Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The Government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the Government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid, finance most of these activities.
- **Business-type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, and Debt Service Fund. Most of the District's basic services are included here, such as regular education, special education, building and grounds maintenance, transportation, and administration. Most of these activities are funded with property taxes and state aid finance.

- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trusts.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005 compared to June 30, 2004.

**Figure A-3**  
**Condensed Statement of Net Assets**  
**(expressed in thousands)**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>		<b>Percentage</b>
	<b>Activities</b>		<b>Activities</b>		<b>School District</b>		<b>Change</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2004-2005</b>
	\$	\$	\$	\$	\$	\$	
Current assets	4,398	4,241	42	33	4,440	4,274	3.88%
Capital assets	6,200	6,485	19	29	6,219	6,514	-4.53%
<b>Total assets</b>	<u>10,598</u>	<u>10,726</u>	<u>61</u>	<u>62</u>	<u>10,659</u>	<u>10,788</u>	<u>-1.20%</u>
Current liabilities	2,983	2,947	-	-	2,983	2,947	1.22%
Non-current liabilities	1,420	1,770	-	-	1,420	1,770	-19.77%
<b>Total liabilities</b>	<u>4,403</u>	<u>4,717</u>	<u>-</u>	<u>-</u>	<u>4,403</u>	<u>4,717</u>	<u>-6.66%</u>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	4,780	4,715	19	29	4,799	4,744	1.16%
Restricted	507	661	-	-	507	661	-23.30%
Unrestricted	908	633	42	33	950	666	42.64%
<b>Total net assets</b>	<u>6,195</u>	<u>6,009</u>	<u>61</u>	<u>62</u>	<u>6,256</u>	<u>6,071</u>	<u>3.05%</u>

The District's total net assets increased over 3% primarily as a result of cost cutting measures in the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005.

**Figure A-4**  
**Change in Net Assets**  
**(expressed in thousands)**

	Governmental Activities	Business-type Activities	Total School District
	\$	\$	\$
Revenues:			
Program revenues:			
Charges for service and sales	388	191	579
Operating grants, contributions and restricted interest	868	137	1,005
General revenues:			
Property tax	2,741	-	2,741
Income surtax	365	-	365
Local option sales tax	271	-	271
Unrestricted state grants	2,571	-	2,571
Unrestricted investment earnings	43	-	43
Other	43	-	43
Total revenues	<u>7,290</u>	<u>328</u>	<u>7,618</u>
Program expenses:			
Governmental activities:			
Instruction	4,176	-	4,176
Support Services	2,010	-	2,010
Non-instructional programs	-	330	330
Other expenses	920	-	920
Total expenses	<u>7,106</u>	<u>330</u>	<u>7,436</u>
Change in net assets	<u>184</u>	<u>(2)</u>	<u>182</u>

Property tax and unrestricted state grants account for 70% of the total revenue. The District's expenses primarily related to instruction and support services, which account for 83% of the total expenses.

## GOVERNMENTAL ACTIVITIES

Revenues for governmental activities were \$7,102,542 and expenses were \$7,293,222.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

	Total Cost of Services	Net Cost of Services
	\$	\$
Instruction	4,176	3,182
Support Services	2,010	2,003
Other expenses	<u>920</u>	<u>665</u>
Totals	<u>7,106</u>	<u>5,850</u>

- The cost financed by users of the District's programs was \$388,004.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$702,835.
- The net cost of governmental activities was financed with \$2,741,825 in property tax, \$2,570,544 in state foundation aid, and \$43,431 in interest income.

#### **PROPRIETARY-TYPE FUNDS**

Revenues for the District's School Nutrition Fund were \$328,280 and expenses were \$330,084. The revenues include charges for services, contributions, and federal and state reimbursements.

#### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The Prairie Valley Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported a combined fund balance of \$6,194,468, which is 3% greater than last year's ending fund balance of \$6,009,994.

#### **GOVERNMENTAL FUND HIGHLIGHTS**

Several factors contributed to the small increase of the fund balance in the District's governmental funds. Some of these factors were unexpected; some were deliberately planned.

- The District generates over \$250,000 in local option sales tax revenues. These monies are being used in part to offset debt service property tax asking.
- Discretionary costs were curtailed in order to maintain a positive financial position.
- Administrative costs were reduced by almost \$100,000.
- Payroll expenses were decreased. Over 75% of the General Fund budget is payroll related.

#### **PROPRIETARY FUND HIGHLIGHTS**

School Nutrition Fund net assets decreased approximately \$2,000 in Fiscal 2005.

Price increases and reductions of part-time personnel were part of the effort to maintain the cash balance.

#### **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

It is the District's practice, as is in most Iowa school district, to budget expenditures at or about the maximum authorized spending. As a result, the District's certified budget should always exceed the actual expenditures for the year.

## **CAPITAL ASSETS**

The District has invested more than \$12 million by the end of fiscal year 2005 in a broad range of capital assets, including school buildings, athletic facilities, kitchen, computers and audio-visual equipment, maintenance equipment, school buses and other vehicles, library holdings, and textbooks. The District made improvements and updated equipment at all three facilities during the year. Total depreciation expenses for the year exceeded \$375,000.

## **LONG-TERM DEBT**

The District had \$1,420,000 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of \$350,000 from the previous year. The principal and interest on the bonds will be paid in full by June 1, 2009. The District makes principal and interest payments annually on these bonds using property tax dollars obtained through a debt service levy specifically for these bonds. It also has used sales tax revenues to reduce property tax asking.

## **FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- Decreasing enrollment is going to have a negative effect on the General Fund.
- To offset the impact of declining enrollment, the State has provided a budget guarantee provision for districts. This budget guarantee provision is being phased out over a 10 year period. The District was on budget guarantee for Fiscal Year 2005 and will continue to be on budget guarantee for several years to come. Due to previous and continued declining enrollment, the amount of this reduction due to the phase out of the budget guarantee will likely grow over the next several years.
- The District will continue monitor payroll expenses as they account for the vast majority of the budget.
- Alternative sources must be found due to funding inconsistencies on the parts of the federal and state governments.
- In June 2009, the District will complete its payment of its bonded indebtedness for the high school addition.
- The District will continue to be required to comply with unfunded and under funded mandates from the federal and state governments such as the Federal No Child Left Behind Act and the state Student Achievement and Teacher Quality Initiative. This will require the District to find ways to provide services in the areas of assessment and professional development, which will divert funds from other student service areas.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Erin Frahm, District Business Manager, Prairie Valley Community School District, PO Box 49, Gowrie, Iowa 50543.

## Basic Financial Statements

## PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2005

	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments	1,190,761	21,271	1,212,032
Receivables:			
Property tax:			
Current year	41,234	-	41,234
Succeeding year	2,927,990	-	2,927,990
Income surtax - succeeding year	173,722	-	173,722
Due from other governments	63,482	-	63,482
Other receivables	180	-	180
Inventories	-	20,488	20,488
Capital assets, net of accumulated depreciation	6,200,457	19,008	6,219,465
<b>Total assets</b>	<b>10,597,826</b>	<b>60,767</b>	<b>10,658,593</b>
<b>Liabilities</b>			
Accounts payable	51,513	-	51,513
Accrued interest payable	3,855	-	3,855
Deferred revenue:			
Succeeding year property tax	2,927,990	-	2,927,990
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	360,000	-	360,000
Portion due after one year:			
General obligation bonds payable	1,060,000	-	1,060,000
<b>Total liabilities</b>	<b>4,403,358</b>	<b>-</b>	<b>4,403,358</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	4,780,457	19,008	4,799,465
Restricted for:			
Management levy	52,892	-	52,892
Student activities	38,982	-	38,982
Physical plant and equipment levy	36,640	-	36,640
Debt service	52,859	-	52,859
Capital projects	324,992	-	324,992
Unrestricted	907,646	41,759	949,405
<b>Total net assets</b>	<b>6,194,468</b>	<b>60,767</b>	<b>6,255,235</b>

See notes to financial statements.

## PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2005

	Program Revenues					Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
	\$	\$	\$	\$	\$	\$
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	2,804,674	300,942	313,225	(2,190,507)	-	(2,190,507)
Special instruction	908,255	85,544	136,888	(685,823)	-	(685,823)
Other instruction	462,940	1,518	155,461	(305,961)	-	(305,961)
	<u>4,175,869</u>	<u>388,004</u>	<u>605,574</u>	<u>(3,182,291)</u>	<u>-</u>	<u>(3,182,291)</u>
Support services:						
Student services	217,938	-	-	(217,938)	-	(217,938)
Instructional staff services	271,524	-	-	(271,524)	-	(271,524)
Administration services	452,591	-	-	(452,591)	-	(452,591)
Operation and maintenance of plant services	659,980	-	3,426	(656,554)	-	(656,554)
Transportation services	407,869	-	3,100	(404,769)	-	(404,769)
	<u>2,009,902</u>	<u>-</u>	<u>6,526</u>	<u>(2,003,376)</u>	<u>-</u>	<u>(2,003,376)</u>
Other expenditures:						
AEA flowthrough	233,255	-	233,255	-	-	-
Long-term debt services	400	-	-	(400)	-	(400)
Long-term debt interest	56,255	-	2,743	(53,512)	-	(53,512)
Facilities acquisition and construction	266,857	-	20,155	(246,702)	-	(246,702)
Depreciation (unallocated)*	363,960	-	-	(363,960)	-	(363,960)
	<u>920,727</u>	<u>-</u>	<u>256,153</u>	<u>(664,574)</u>	<u>-</u>	<u>(664,574)</u>
Total governmental activities	7,106,498	388,004	868,253	(5,850,241)	-	(5,850,241)



PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

	Program Revenues				
		Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Expenses	Charges for Service				
\$	\$	\$	\$	\$	\$
Business-Type activities:					
Non-instructional programs:					
Nutrition services	330,084	191,247	137,033	-	(1,804)
				(1,804)	(1,804)
Total	7,436,582	579,251	1,005,286	(5,850,241)	(1,804)
					(5,852,045)
General revenues:					
Property tax levied for:					
General purposes			2,156,314	-	2,156,314
Management levy			149,389	-	149,389
Debt service			366,771	-	366,771
Capital outlay			69,351	-	69,351
Income surtax			365,207	-	365,207
Local option sales taxes			270,822	-	270,822
Unrestricted state grants			2,570,544	-	2,570,544
Unrestricted investment earnings			43,431	-	43,431
Other			42,886	-	42,886
Total general revenue			6,034,715	-	6,034,715
Change in net assets			184,474	(1,804)	182,670
Net assets beginning of year			6,009,994	62,571	6,072,565
Net assets end of year			6,194,468	60,767	6,255,235

\* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

## PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

## Balance Sheet

## Governmental Funds

June 30, 2005

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Cash and pooled investments	719,044	51,037	295,441	125,239	1,190,761
Receivables:					
Property tax:					
Current year	32,282	5,677	-	3,275	41,234
Succeeding year	2,291,093	366,558	-	270,339	2,927,990
Income surtax - succeeding year	173,722	-	-	-	173,722
Due from other governments	33,931	-	29,551	-	63,482
Other receivables	180	-	-	-	180
<b>Total assets</b>	<u>3,250,252</u>	<u>423,272</u>	<u>324,992</u>	<u>398,853</u>	<u>4,397,369</u>
<b>Liabilities and Fund Balance</b>					
Liabilities:					
Accounts payable	51,513	-	-	-	51,513
Deferred revenue:					
Succeeding year property tax	2,291,093	366,558	-	270,339	2,927,990
Succeeding year income surtax	173,722	-	-	-	173,722
Total liabilities	<u>2,516,328</u>	<u>366,558</u>	<u>-</u>	<u>270,339</u>	<u>3,153,225</u>
Fund balances:					
Reserved for debt service	-	56,714	-	-	56,714
Reserved for capital projects	-	-	324,992	-	324,992
Unreserved	733,924	-	-	128,514	862,438
Total fund equity and other credits	<u>733,924</u>	<u>56,714</u>	<u>324,992</u>	<u>128,514</u>	<u>1,244,144</u>
<b>Total liabilities and fund balances</b>	<u>3,250,252</u>	<u>423,272</u>	<u>324,992</u>	<u>398,853</u>	<u>4,397,369</u>

See notes to financial statements.

## PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2005

<b>Total fund balances of governmental funds (Exhibit C)</b>	\$ 1,244,144
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Income surtax receivable at June 30, 2005 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	173,722
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,200,457
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	(3,855)
Long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds	<u>(1,420,000)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u>\$ 6,194,468</u>

## PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balances

## Governmental Fund Types

Year ended June 30, 2005

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources					
Local tax	2,347,799	366,771	270,822	218,740	3,204,132
Tuition	337,496	-	-	-	337,496
Other	130,565	2,468	20,155	147,655	300,843
State sources	3,080,092	275	-	171	3,080,538
Federal sources	192,841	-	-	-	192,841
Total revenues	<u>6,088,793</u>	<u>369,514</u>	<u>290,977</u>	<u>366,566</u>	<u>7,115,850</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	2,651,145	-	24,394	129,135	2,804,674
Special instruction	908,255	-	-	-	908,255
Other instruction	324,976	-	-	137,964	462,940
	<u>3,884,376</u>	<u>-</u>	<u>24,394</u>	<u>267,099</u>	<u>4,175,869</u>
Support services:					
Student services	217,938	-	-	-	217,938
Instructional staff services	271,524	-	-	-	271,524
Administration services	452,591	-	-	-	452,591
Operation and maintenance of plant services	537,727	-	-	122,253	659,980
Transportation services	392,197	-	3,200	12,472	407,869
	<u>1,871,977</u>	<u>-</u>	<u>3,200</u>	<u>134,725</u>	<u>2,009,902</u>
Other expenditures:					
AEA flowthrough	233,255	-	-	-	233,255
Long-term debt:					
Services	-	400	-	-	400
Principal	-	350,000	-	-	350,000
Interest	-	57,143	-	-	57,143
Facilities acquisition and construction	-	-	345,857	-	345,857
	<u>233,255</u>	<u>407,543</u>	<u>345,857</u>	<u>-</u>	<u>986,655</u>
Total expenditures	<u>5,989,608</u>	<u>407,543</u>	<u>373,451</u>	<u>401,824</u>	<u>7,172,426</u>

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund Types

Year ended June 30, 2005

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Excess (deficiency) of revenues over (under) expenditures	<u>99,185</u>	<u>(38,029)</u>	<u>(82,474)</u>	<u>(35,258)</u>	<u>(56,576)</u>
Other financing sources (uses)					
Sales of equipment and materials	1,400	-	-	-	1,400
Operating transfers in	-	40,000	-	-	40,000
Operating transfers (out)	<u>-</u>	<u>-</u>	<u>(40,000)</u>	<u>-</u>	<u>(40,000)</u>
	<u>1,400</u>	<u>40,000</u>	<u>(40,000)</u>	<u>-</u>	<u>1,400</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	100,585	1,971	(122,474)	(35,258)	(55,176)
Fund balances beginning of year	<u>633,339</u>	<u>54,743</u>	<u>447,466</u>	<u>163,772</u>	<u>1,299,320</u>
Fund balances end of year	<u><u>733,924</u></u>	<u><u>56,714</u></u>	<u><u>324,992</u></u>	<u><u>128,514</u></u>	<u><u>1,244,144</u></u>

See notes to financial statements.

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2005

Net change in fund balances - total governmental funds (Exhibit E) \$ (55,176)

Amounts reported for governmental activities in the  
statement of activities are different because:

Income surtax receivable at June 30, 2005 is not recognized as income  
until received in the governmental funds, however it is shown as a  
revenue in the Statement of Activities. 173,722

Capital outlays to purchase or build capital assets are reported in  
governmental funds as expenditures. However, those costs are  
reported in the Statement of Net Assets and are allocated over their  
estimated useful lives as depreciation expense in the Statement of  
Activities. The amounts of capital outlays and depreciation expense  
in the year are as follows:

Capital outlays	79,000
Depreciation expense	(363,960)

Repayment of long-term liabilities is an expenditure in the governmental  
funds, but the repayment reduces long-term liabilities in the Statement  
of Net Assets. 350,000

Interest on long-term debt in the Statement of Activities differs from  
the amount reported in the governmental funds because interest is  
recorded as an expenditure in the funds when due. In the Statement  
of Activities, interest expense is recognized as the interest accrues,  
regardless of when it is due. 888

Change in net assets of governmental activities (Exhibit B) \$ 184,474

## PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

## Statement of Revenues, Expenses and Changes in Net Assets

## Proprietary Fund

Year ended June 30, 2005

	School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for services	<u>191,247</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	109,188
Benefits	25,813
Services	6,648
Supplies	167,557
Property	7,670
Depreciation	<u>13,208</u>
Total operating expenses	<u>330,084</u>
Operating (loss)	<u>(138,837)</u>
Non-operating revenues:	
State sources	4,540
Federal sources	130,990
Interest income	<u>1,503</u>
	<u>137,033</u>
Changes in net assets	(1,804)
Net assets beginning of year	<u>62,571</u>
Net assets end of year	<u><u>60,767</u></u>

See notes to financial statements.

## PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

## Statement of Cash Flows

## Proprietary Fund

Year ended June 30, 2005

	School Nutrition
	\$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	191,247
Cash payments to employees for services	(135,001)
Cash payments to suppliers for goods or services	(158,854)
Net cash (used in) operating activities	(102,608)
Cash flows from non-capital financing activities:	
State grants received	4,540
Federal grants received	107,323
Net cash provided by non-capital financing activities	111,863
Cash flows from capital financing activities:	
Acquisition of fixed assets	(2,761)
Cash flows from investing activities:	
Interest on investments	1,503
Net increase in cash and cash equivalents	7,997
Cash and cash equivalents beginning of year	13,274
Cash and cash equivalents end of year	21,271
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>	
Operating (loss)	(138,837)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	13,208
Commodities used	23,667
(Increase) in inventory	(646)
	(102,608)
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>	
Current assets:	
Cash	21,271
<b>Non-cash investing, capital and financing activities:</b>	

During the year ended June 30, 2005, the District received federal commodities valued at \$23,667.

See notes to financial statements.



## PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

## Statement of Fiduciary Net Assets

## Fiduciary Funds

Year ended June 30, 2005

	Private Purpose Trusts
	<u>Scholarships</u>
	\$
<b>Assets</b>	
Cash	<u>16,592</u>
<b>Total assets</b>	<u>16,592</u>
<b>Net Assets</b>	
Reserved for scholarships	<u>16,592</u>
<b>Total net assets</b>	<u><u>16,592</u></u>

See notes to financial statements.

**PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT**  
 Statement of Changes in Fiduciary Net Assets  
 Fiduciary Funds  
 Year ended June 30, 2005

	Private Purpose
	Trusts
	<u>Scholarships</u>
	\$
Additions:	
Local sources:	
Miscellaneous	<u>2,670</u>
Total additions	<u>2,670</u>
Deductions:	
Support services:	
Scholarships	<u>4,200</u>
Total deductions	<u>4,200</u>
Change in net assets	(1,530)
Net assets beginning of year	<u>18,122</u>
Net assets end of year	<u><u>16,592</u></u>

See notes to financial statements.

# **PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT**

## Notes to Financial Statements

June 30, 2005

### **(1) Summary of Significant Accounting Policies**

The Prairie Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Gowrie, Somers, Farnhamville, Callender and Rinard, Iowa, and agricultural area in Calhoun, Greene and Webster Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### **A. Reporting Entity**

For financial reporting purposes, Prairie Valley Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Prairie Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Webster County Assessor Conference Board.

#### **B. Basis of Presentation**

Government-wide financial statements - The Statements of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets*, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. the District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used for scholarship payments.

#### C. Measurement Focus and Basis of Accounting

The Government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sale and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa and grants from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the Government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2005.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2005.

(3) **Capital Assets**

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	134,054	-	-	134,054
Capital assets being depreciated:				
Land improvements	374,283	-	-	374,283
Buildings	9,304,943	79,000	-	9,383,943
Furniture and equipment	2,811,381	-	-	2,811,381
Total capital assets being depreciated	12,490,607	79,000	-	12,569,607
Less accumulated depreciation for:				
Land improvements	320,569	14,971	-	335,540
Buildings	3,634,252	187,679	-	3,821,931
Furniture and equipment	2,184,423	161,310	-	2,345,733
Total accumulated depreciation	6,139,244	363,960	-	6,503,204
Total capital assets being depreciated, net	6,351,363	(284,960)	-	6,066,403
Governmental activities, capital assets, net	6,485,417	(284,960)	-	6,200,457

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	96,380	2,761	-	99,141
Less accumulated depreciation	<u>66,925</u>	<u>13,208</u>	<u>-</u>	<u>80,133</u>
Business type activities capital assets, net	<u>29,455</u>	<u>(10,447)</u>	<u>-</u>	<u>19,008</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Unallocated	<u>363,960</u>
	<u>363,960</u>

Business Type activities:	
Food service operations	<u>13,208</u>

#### (4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$202,839, \$216,360, and \$220,145 respectively, equal to the required contributions for each year.

#### (5) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2005 is as follows:

	General Obligation Bonds
Balance beginning of year	\$1,770,000
Additions	-
Reductions	<u>350,000</u>
Balance end of year	<u>\$1,420,000</u>

#### (6) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$233,255 for year ended June 30, 2003 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.



**(7) Early Retirement**

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 120% of the difference between the employee's base salary calculated by using the current year regular salary schedule less the BA base salary plus an additional \$1,200. Early retirement benefits paid during the year ended June 30, 2005 totaled \$129,135.

**(8) Bonds Payable**

Details of the District's June 30, 2005 bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates %	Bond Issue as of May 1, 2001		
		Interest \$	Principal \$	Total \$
2006	3.15-3.30	46,257	360,000	406,257
2007	3.30-3.45	34,430	375,000	409,430
2008	3.45-3.65	21,545	385,000	406,545
2009	3.65-3.85	7,500	300,000	307,500
Total		<u>\$109,732</u>	<u>1,420,000</u>	<u>1,529,732</u>

**(9) Risk Management**

The District was a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization until June 30, 2004.. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members that terminated from ISEBA on June 30, 2004 received an assessment in December 2004 which is due July 1, 2005. The total assessment for terminated members is approximately \$3.9 million. The District's share of this assessment was \$9,062 which is recorded as a liability as of June 30, 2005.

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Iowa School Cash Anticipation Program (ISCAP)**

The District participated in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2005 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investment</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2004-05A	6/30/04	6/30/05	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2005.

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2004-05A	3.000%	2.463%

## Required Supplementary Information

**PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2005

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Original</u>	<u>Final</u>	<u>Variance -</u>
	\$	\$	\$	\$	\$	\$
Receipts:						
Local sources	3,880,973	192,750	4,073,723	4,113,548	4,113,548	(39,825)
State sources	3,080,538	4,540	3,085,078	3,169,159	3,169,159	(84,081)
Federal sources	192,841	107,323	300,164	333,400	333,400	(33,236)
Total receipts	<u>7,154,352</u>	<u>304,613</u>	<u>7,458,965</u>	<u>7,616,107</u>	<u>7,616,107</u>	<u>(157,142)</u>
Disbursements:						
Instruction	4,136,929	-	4,136,929	4,450,000	4,450,000	313,071
Support services	2,009,902	-	2,009,902	2,519,483	2,519,483	509,581
Non-instructional programs	-	296,616	296,616	330,500	330,500	33,884
Other expenditures	986,655	-	986,655	1,077,926	1,077,926	91,271
Total disbursements	<u>7,133,486</u>	<u>296,616</u>	<u>7,430,102</u>	<u>8,377,909</u>	<u>8,377,909</u>	<u>947,807</u>
Excess (deficiency) of receipts over (under) disbursements	20,866	7,997	28,863	(761,802)	(761,802)	790,665
Other financing sources (uses)	<u>1,400</u>	<u>-</u>	<u>1,400</u>	<u>2,500</u>	<u>2,500</u>	<u>(1,100)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	22,266	7,997	30,263	(759,302)	(759,302)	789,565
Balance beginning of year	<u>1,168,495</u>	<u>13,274</u>	<u>1,181,769</u>	<u>1,084,031</u>	<u>1,084,031</u>	<u>97,738</u>
Balance end of year	<u><u>1,190,761</u></u>	<u><u>21,271</u></u>	<u><u>1,212,032</u></u>	<u><u>324,729</u></u>	<u><u>324,729</u></u>	<u><u>887,303</u></u>

See accompanying independent auditor's report.

**PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2005

	Governmental Fund Type		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 7,154,352	(38,502)	7,115,850
Expenditures	<u>7,133,486</u>	<u>38,940</u>	<u>7,172,426</u>
Net	20,866	(77,442)	(56,576)
Other financing sources (uses)	1,400	-	1,400
Beginning fund balances	<u>1,168,495</u>	<u>130,825</u>	<u>1,299,320</u>
Ending fund balances	<u>\$ 1,190,761</u>	<u>53,383</u>	<u>1,244,144</u>

	Proprietary Fund Type		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 304,613	23,667	328,280
Expenditures	<u>296,616</u>	<u>33,468</u>	<u>330,084</u>
Net	7,997	(9,801)	(1,804)
Beginning fund balances	<u>13,274</u>	<u>49,297</u>	<u>62,571</u>
Ending fund balances	<u>\$ 21,271</u>	<u>39,496</u>	<u>60,767</u>

See accompanying independent auditor's report.

**PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT**

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

## Other Supplementary Information

## PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

## Combining Balance Sheet

## Nonmajor Special Revenue Funds

June 30, 2005

	Management	Student Activity	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments	50,655	38,982	35,602	125,239
Property tax receivable:				
Current year	2,237	-	1,038	3,275
Succeeding year	200,000	-	70,339	270,339
Other receivables	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>252,892</u>	<u>38,982</u>	<u>106,979</u>	<u>398,853</u>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	200,000	-	70,339	270,339
	<u>200,000</u>	<u>-</u>	<u>70,339</u>	<u>270,339</u>
Fund equity:				
Unreserved, undesignated fund balance	52,892	38,982	36,640	128,514
	<u>52,892</u>	<u>38,982</u>	<u>36,640</u>	<u>128,514</u>
Total liabilities and fund equity	<u>252,892</u>	<u>38,982</u>	<u>106,979</u>	<u>398,853</u>

See accompanying independent auditor's report.



## PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances

## Nonmajor Special Revenue Funds

Year ended June 30, 2005

	Management	Student Activity	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	149,389	-	69,351	218,740
Other	1,876	144,400	1,379	147,655
State sources	117	-	54	171
Total revenues	<u>151,382</u>	<u>144,400</u>	<u>70,784</u>	<u>366,566</u>
Expenditures:				
Instruction:				
Regular instruction	129,135	-	-	129,135
Co-curricular instruction	-	137,964	-	137,964
Support services:				
Plant operation and maintenance	41,679	-	80,574	122,253
Student transportation	12,472	-	-	12,472
Total expenditures	<u>183,286</u>	<u>137,964</u>	<u>80,574</u>	<u>401,824</u>
Excess (deficiency) of revenues over (under) expenditures	(31,904)	6,436	(9,790)	(35,258)
Fund balances beginning of year	<u>84,796</u>	<u>32,546</u>	<u>46,430</u>	<u>163,772</u>
Balance end of year	<u><u>52,892</u></u>	<u><u>38,982</u></u>	<u><u>36,640</u></u>	<u><u>128,514</u></u>

See accompanying independent auditor's report.

## PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Interest	3,165	2,901	-	6,066
Athletics	(6,357)	33,409	31,785	(4,733)
Athletic Resale	2,951	12,693	13,854	1,790
Cheerleaders	-	8,171	9,295	(1,124)
Class of 2003	147	-	147	-
Class of 2004	541	-	541	-
Class of 2005	2,904	1,158	3,659	403
Class of 2006	100	9,668	7,988	1,780
Class of 2007	36	-	-	36
Drill Team	5,205	3,538	6,698	2,045
Dramatics	3,186	1,446	15	4,617
FFA	3,264	13,093	14,979	1,378
FCCLA	476	4,959	5,018	417
Instrumental	3,884	9,985	6,765	7,104
HS Student Council	3,747	16,085	13,803	6,029
Tri M	630	882	785	727
Vocal Music	3,825	11,786	9,197	6,414
Yearbook	3,871	10,989	10,233	4,627
MS Student Council	971	3,637	3,202	1,406
Total	32,546	144,400	137,964	38,982

See accompanying independent auditor's report.

## PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Private Purpose Trusts

Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Belle Erickson Scholarship	3,222	83	100	3,205
William Johnson Scholarship	5,213	94	100	5,207
Evans Scholarship	200	200	200	200
George Larson Scholarship	5,130	2,018	3,500	3,648
Administration Scholarship	200	100	200	100
Michelle Gibson Scholarship	-	100	-	100
Lucile Swensen Scholarship	4,157	75	100	4,132
Total	18,122	2,670	4,200	16,592

See accompanying independent auditor's report.

## PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

## Comparison of Taxes and Intergovernmental Revenues

All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2005	2004	2003	2002
	\$	\$	\$	\$
Local sources:				
General	2,347,799	2,654,884	2,643,202	2,643,202
Special revenue/debt service	585,511	552,355	549,416	585,412
Capital projects	270,822	267,411	241,909	247,405
	<u>3,204,132</u>	<u>3,474,650</u>	<u>3,434,527</u>	<u>3,476,019</u>
State sources:				
General	3,080,092	2,782,248	2,864,429	2,874,039
Special revenue/debt service	446	529	973	679
	<u>3,080,538</u>	<u>2,782,777</u>	<u>2,865,402</u>	<u>2,874,718</u>
Federal sources:				
General	192,841	215,793	185,488	193,863
Total	<u>6,477,511</u>	<u>6,473,220</u>	<u>6,485,417</u>	<u>6,544,600</u>

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

To the Board of Education of the  
Prairie Valley Community School District:

Compliance

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Prairie Valley Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statement listed in the table of contents, and have issued our report thereon date October 19, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Prairie Valley Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 05-I-A is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether, Prairie Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Prairie Valley Community School District and other parties to whom Prairie Valley Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Prairie Valley Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

**BRUCE D. FRINK**  
**Certified Public Accountant**

October 19, 2005

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

**Part I: Findings Related to the General Purpose Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

05-I-A      SEGREGATION OF DUTIES

Comment - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

**Part II: Other Findings Related to Required Statutory Reporting:**

05-II-A      Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

05-II-B      Certified Budget - Disbursements for the year ended June 30, 2005, did not exceed the certified budget amounts in any of the four functions.

05-II-C      Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

05-II-D      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

**Part II: Other Findings Related to Required Statutory Reporting:**  
**(continued):**

05-II-E      Business Transactions - No business transactions between the District and District officials or employees were noted.

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Thomas Beacom, Board Member	Substitute Teacher	\$405
Ronald Warrick, Board President	Substitute Teacher	\$698

In accordance with Chapter 279.7A of the Code of Iowa, these transactions do not appear to represent conflicts of interest since they totaled less than \$2,500 for the fiscal year.

Recommendation - The District should review these expenditures to ensure legal compliance.

Response - We will review these on an annual basis and consult with our attorney when needed.

Conclusion - Response accepted.

05-II-F      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

05-II-G      Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.

05-II-H      Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

05-II-I      Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

05-II-J      Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.